

Message Text

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ACTION EB-07

INFO OCT-01 NEA-06 ISO-00 AGR-05 TRSE-00 SWF-01 STR-01

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TO SECSTATE WASHDC PRIORITY 5666

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AMSZBASSY KATHMANDU 7187

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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FROM AGATT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, IN

SUBJECT:; UPDATE OF 1974-75 INDIAN FOODGRAIN REQUIREMENTS

REF: STATE 268239

SUMMARY: WE ARE CURRENTLY ESTIMATING INDIA'S TOTAL 1974-75

FOODGRAIN

CROP AT 96-99 MILLION METRIC TONS COMPARED TO THE
PREVIOUS YEAR'S OFFICIALLY ESTIMATED CROP OF 103.6 MILLION
TONS. IMPORTS DURING 1974-75 (JULY/JUNE BASIS) ARE PRESENTLY EST-
MATED AT 6.5 TO 7.2 MILLION METRIC TONS. GIVEN THE LIMITED
TIME LEFT IN 1974-75, AVAILABLE INFORMATION INDICATES THAT PORT
HANDLING CAPACITY MAY KEEP IMPORTS FROM GOING SUBSTANTIALLY
ABOVE THIS RANGE. TAKING INTO ACCOUNT VE TIME IT TAKES

SHIPMENTS TO REACH INDIA, EXPORTS FROM SUPPLIER COUNTRIES DURING

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1974-75 MAY BE SOMEWHAT ABOVE THIS RANGE. CALENDAR YEAR

1975 MAY BE A CRUCIAL YEAR FOR INDIA ON THE FOOD FRONT. THE IMPORT RANGE OF 7-8.5 MENTIONED BY GOI OFFICIALS (REF) APPEARS MORE OF A POSSIBILITY FOR CY 1975. END SUMMARY.

1. WE CURRENTLY ESTIMATE INDIA'S IMPORTS OF GOODGRAINS DURING 1974-75 (JULY/JUNE BASIS) WILL KIKELY TOTAL BETWEEN 6.5 TO 7.2 MILLION TONS BASED ON OUR CURRENT ESTIMATES OF THE OVER- ALL COUNTRY AND GOVERNMENT GRAIN SITUATION. IN THE SUMMER OF 1973, WE ESTIMATED INDIA WOULD IMPORT 5.0 MILLION TONS DURING 1973-74. OUR FINAL ESTIMATE IN THE SPRING OF 1974 WAS 4.7 MILLION WITH ACTUAL IMPORTS DURING 1973-74 ENDING UP AT 5,693,000 TONS. THIS YEAR IS PROVING EVEN MORE DIFFICULT TO ACCURATELY ESTIMATE THE LIKELY LEVEL OF INDIA'S FOODGRAIN IMPORTS. (UNFORTUNATELY, 1975-76 IS UNLIKELY TO BE ANFFEASIER.)

2. ALTHOUGH THE GOI PUBLICLY ESTIMATES THIS YEAR'S KHARIF FOODGRAIN CROP (LARGELY FALL/EARLY WINTER-HARVESTED) AT 60 MILLION TONS OR SLIGHTLY MORE, WE CURRENTLY FEEL PRODUCTION MAY FALL CLOSER TO 58-59 MILLION TONS. THIS COMPARES WITH THE 1973-74 KHARIF CROP OF 66.7 MILLION TONS AND THE 1972-73 CROP OF 58.6 MILLION. BOTH THE 1972-73 AND THE 1974-75 KHARIF CROPS WERE REDUCED BECAUSE OF POOR SUMMER MONSOONS. ALTHOOUH IT IS STILL TOO EARLY TO ACCURATELY PREDICT THIS YEAR'S (1975) RABI CROP (LARGELY LATE WINTER/SPRING-HARVESTED), WE CURRENTLY ESTIMATE THAT TOTAL FOODGRAIN PRODUCTION DURING 1974-75 MAY FALL IN THE RANGE OF 96.0-99.0 MILLION TONS, DOWN FROM THE PREVIOUS YEAR'S CROP OF 103.6 MILLION TONS. TOTAL FOODGRAIN PRODUCTION IN 1972-73 WAS 97.0 MILLION TONS.

3. RICE AND COARSE GRAINS ARE HARVESTED MAINLY DURING THE KHARIF SEASOMEWITH WHEAT HARVESTED ENTIRELY DURING THE RADI SEASON. WITH THIS YEAR'S KHARIF CROP EXPECTED TO BE DOWN SUBSTAN- TIALY FROM LAST YEAR'S, WE CURRENTLY ESTIMATE PROCUREMENT OF RICE AND COARSE GRAINS DURING 1974-75 MAY APPROXIMATE 3.0 MILLION TONS , AS COMPARED TO AN ESTIMATED PROCUREMENT OF 4.27 MILLION TONS DURING 1973-74. WHEAT PRODUCTION NEXT SPRING IS TENTATIVELY PUT AT 22.0-24.5 MILLION TONS AS COMPARED TO LAST SPRINGS CROP OF 22.1 MILLION. UNTIL MORE IS KNOWN ABOUT THE SIZE OF NEXT SPRING'S CROP AND THE GOVERNMENT'S LIMITED OFFICIAL USE

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INTENDED MODE OF PROCUREMENT, IT IS VERY HAZARDOUS TO GUESS AT THE AMOUNT OF WHEAT THAT WILL COME INTO GOVERNMENT HANDS. TENTATIVELY WE ARE PUTTING PROCUREMENT FROM NEXT SPRING'S CROP AT 2.5KILLION TONS, AS COMPARED TO AN ESTIMATED TOTAL PROCUREMENT OF APPROXIMATELY 1.9 MILLION TONS FROM LAST SPRING'S CROP. THE SUM OF THE ABOVE GIVES TOTAL PROCUREMENT DURING 1974-75 (EITHER JULY/JUNE OR MARKETING YEAR BASIS) OF APPROXIMATELY2&5 MILLION TONS. ASYISNG NO CHANGE

IN GOVERNMENT STOCKS, THE DIFFERENCE BETWEEN WHAT THE GOVERNMENT PROCURES AND WHAT IT DESIRES TO DISTRIBUTE (MAINLY TO THE FAIR PRICE SHOPS) HAS TO BE MADE UP WITH IMPORTS BY THE CENTRAL GOVERNMENT. NO IMPORTS OF FOODGRAINS BY PRIVATE AGENCIES OR STATE GOVERNMENTS ARE AUTHORIZED.

4. PRELIMINARY INFORMATION INDICATES THE GOVERNMENT MAY HAVE BEEN MYLE TO HOLD TOTAL DISTRIBUTION OF FOODGRAINS DURING THE NORMALLY PEAK DEMAND MONTHS OF JULY-SEPTEMBER TO ROUGHLY A TOTAL OF 2.7 MILLION TONS IN 1974, DOWN FROM THE APPROXIMATEQ3.2 AND 3.1 MILLION DISTRIBUTED DURING THE PREVIOUS TWO YEARS. GENERALLY THE QUANTITY OF GRAIN DISTRIBUTED THROUGH THE PUBLIC DISTRIBUTION SYSTEM (AND CONSEQUENTLY IMPORTS ASSUMING NO STOCK CHANGES) VARIES INVERSELY WITH THE CHANGES IN TOTAL FOODGRAIN PRODUCTION. GIVEN AN ESTIMATED DROP IN FOODGRAIN PRODUCTION THIS YEAR, WE ANTICIPATE THE GOVERNMENT WILL DEEM IT DESIRABLE TO INCREASE THE TOTAL DISTRIBUTION OF FOODGRAINS DURING OCTOBER 74-JUNE 75 TO POSSIBLE 8.7-9.2 MILLION TONS, AS COVRARED TO APPROXIMATELY 7.8 AND 8.6 DISTRIBUTED DURING THE PREVIOUS TWO YEARS. RECENT HEAVY PURCHASES BY THE GOVERNMENT ON THE WORLD MARKET MAY SIGNAL THE GOVERNMENT'S DESIRE TO TRY TO MEET MORE OF THE FOOD NEEDS.

5. ALLOWING FOR LOSS AND WASTAGE OF ROUGHLY 600,000-800,000 TONS, TOTAL DISAPPEARANCE OF GOVERNMENT-CONTROLLED FOODGRAIN SUPPLIES WOULD COME TO 12.0-12.7 MILLION TONS DURING 1974 75. GIVEN AN ESTIMATED PROCUREMENT OF APPROXIMATELY 5.5 MILLION TONS, IMPORTS WOULD NEED TO BE BETWEEN 6.5 TO 7.2 MILLION TONS.

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PASS AGRICULTURE FROM AGATT

6. THE ABOVE ANALYSIS FOR 1974-75 ASSUMES NO CHANGES IN THE LEVEL OF GOVERNMENT STOCKS HELD ON JULY 1, 1975, AS COMPARED TO JULY 1, 1974. GOVERNMENT STOCKS ARE NORMALLY AT THEIR HIGHEST LEVEL IN JULY SINCE THIS IS THE END OF THE PEAK PROCUREMENT PERIOD FOR WHEAT. TOTAL GOVERNMENT STOCKS OF FOODGRAINS LAST JULY 1 WERE APPROXIMATELY 4.0 MILLION TONS, DOWN FROM THE PREVIOUS TWO YEARS OF APPROXIMATELY 4.4 MILLION AND 8.8 MILLION TONS AND THE LOWEST SINCE 1967. IF OUR ESTIMATES OF PROCUREMENT AND DISAPPEARANCE TURN OUT TO BE ABOUT RIGHT, LITTLE OR NO CHANGE IN THE LEVEL OF STOCKS WILL BE POSSIBLE, GIVEN OUR ESTIMATED LEVEL OF IMPORTS.

7. GOI OFFICIALS HAVE RECENTLY COMMENTED TO US THAT THE PRESENT PORT HANDLING CAPACITY FOR THE IMPORTATION OF FOODGRAINS OVER AN EXTENDED PERIOD OF TIME IS ABOUT 600,000 - 700,000 TONS A MONTH, WITH A FEW INDIVIDUALS GOING AS HIGH AS 750,000 A MONTH. REASONS GENERALLY GIVEN FOR LACK OF A GREATER AVERAGE CAPACITY INCLUDE THE NEED TO IMPORT LARGE QUANTITIES OF FERTILIZER WHOSE

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SHIPS COMPETE WITH FOODGRAIN SHIPS FOR AVAILABLE BERTHS, THE OFTEN LIMITED AVAILABILITY OF RAILWAY WAGONS TO MOVE THE GRAIN FROM PORT AREA, AND THE NEED TO REPLACE SOME OF THE OLD PORT UNLOADING EQUIPMENT. GOI IS BELIEVED TAKING STEPS TO TRY TO INCREASE ITS AVERAGE PORT HANDLING CAPACITY FOR IMPORTED FOODGRAINS.

8. IMPORTS OF FOODGRAINS DURING JULY-NOVEMBER 1974 TOTLED 2,285,000 TONS OR AN AVERAGE OF ALMOST 460,000 TONS A MONTH. THIS

RATE IS EXPECTED TO INCREASE, GIVEN THE LARGE ADDITIONAL PURCHASES MADE BY INDIA DURING RECENT MONTHS ON THE WORLD MARKET.

9. TO REACH OUR IMPORT ESTIMATE OF 6.5 TO 7.2 MILLION TONS FOR 1974-75, INDIA WILL NEED TO IMPORT AT AN AVERAGE RATE OF BETWEEN 600,000 TO 700,000 A MONTH FROM DECEMBER 74 THROUGH JUNE 75. TO REACH THE 8.5 MILLION TON FIGURE MENTIONED IN REF WOULD REQUIRE IMPORTS OF ALMOST 900,000 A MONTH FOR THE BALANCE OF 1974-75. APPROXIMATELY 800,000 TONS OF WHEAT WOULD HAVE TO BE IMPORTED EACH MONTH BETWEEN NOW AND THE END OF JUNE TO REACH THE IWC FIGURE OF 7.5 MILLION TONS OF WHEAT.

10. IF IT IS PHYSICALLY POSSIBLE, IT WOULD BE DESIRABLE FOR GOI TO IMPORT MORE THAN 7.2 MILLION TONS OF FOODGRAINS DURING 1974-75. A HIGHER LEVEL OF IMPORTS WOULD FACILITATE THE GOVERNMENT'S MEETING MORE OF THE COUNTRY'S FOOD NEEDS, INCLUDING NEEDS DURING THE NORMALLY LEANEST UPCOMING MONTHS OF JULY-SEPTEMBER. ADDITIONALLY, IT IS POSSIBLE THAT IF NEXT SPRING'S RABI CROP IS NO BETTER OR POSSIBLY WORSE THAN LAST SPRING'S, AND IF NEXT SUMMER'S MONSOON IS AS BAD AS OR WORSE THAN LAST SUMMER'S, INDIA MAY FIND ITSELF IN A POSITION THAT, EVEN ASSUMING AVAILABILITY OF WORLD GRAIN SUPPLIES, IT MAY BE CLOSE TO PHYSICALLY IMPOSSIBLE TO IMPORT THE QUANTITY OF GRAIN NEEDED ACCORDING TO ANYONE'S STANDARD OF NEED. THIS WOULD STRONGLY ARGUE FOR NOT ALLOWING GOVERNMENT STOCK LEVELS TO DECREASE ANY FURTHER AND IF POSSIBLE TO TRY TO REPLENISH THEM SOMEWHAT. HOPEFULLY, PROBABILITY WILL RULE OUT THE LIKELIHOOD OF A THIRD POOR MONSOON DURING THIS FOUR-YEAR STRETCH.

1. IT TAKES ANYWHERE FROM 5-8 WEEKS FOR GRAIN EXPORTED FROM THE WESTERN HEMISPHERE OR WESTERN EUROPE TO REACH INDIA. EXPORTS LAST MAY/JUNE WERE VERY LIGHT. HOPEFULLY, SHIPMENTS THIS MAY/

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JUNE WILL BE HEAVIER CAUSING EXPORTS DURING 1974-75 (JULY-JUNE BASIS) TO BE AT LEAST SLIGHTLY ABOVE OUR IMPORT RANGE.

12. IN REGARD TO PARA 3 OF REF, WE ARE UNABLE TO TELL WHETHER THE U.S. COMMERCIAL FIGURE OF 3.7 MILLION TONS REPRESENTS JUST WHAT HAS BEEN LINED UP FOR EXPORT FROM JULY 1974 ONWARDS, OR WHETHER IT ALSO INCLUDES THE MINOR AMOUNT OF APPROXIMATELY 125,000 TONS THAT WAS EXPORTED PRIOR TO JULY AND IMPORTED DURING 1974-75. WE HAVE NO ADDITIONAL INFO AT THIS TIME THAT MIGHT MODIFY YOUR TABLE.

13. THE ABOVE DISCUSSION ABOUT GOVERNMENT DISTRIBUTION OF FOOD-GRAINS RELATES PRIMARILY TO DISTRIBUTION OF FOOD THROUGH "FAIR PRICE SHOPS." THIS SYSTEM DOES NOT TAKE CARE OF ALL THE NEEDS OF THE URBAN OR RURAL POOR. WERE THE GOI TO ATTEMPT TO ASSIST THEM ON A LARGER SCALE, INCREASED FOOD IMPORTS WOULD BE REQUIRED.

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